(c) and (d) SEBI has examined volatility in Indian securities market in the recent past and compared the same with the international indices. The volatility increase in the Indian indices is broadly in sync with other emerging markets. SEBI has informed that the reports from exchanges as discussed in the weekly surveillance meetings did not prima facie appear to indicate anything untoward.

(e) SEBI and the Government have been advising the investors, whether small or big, that they should take informed investment decisions based on their own understanding of the market or such advices as they may receive from investment advisors. A downtrend in the market over a short period should not persuade an investor to exit from the market if the investor has a long-term positive view of the market and is invested for the long term. Investors should guard against rumors and also not take decisions in panic.

Further, to protect the investors against impact of volatility, with effect from July 10, 2006, the risk arrays have been updated intra-day in the cash market as has been done in the derivative market. The applicable VAR margin rates are being updated atleast 5 times in a day.

Also, exchanges have been advised to keep enhanced real time vigilance on volatility and deviance, if any, in the market.

Raise in borrowing rates by banks

127. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that RBI has allowed banks and financial institutions to raise the rate of interest of loans and borrowing.

(b) if so, the details thereof;

(c) whether Government considers and ideal rate of interest of borrowing *(i.e.* on savings) and lending prescribed fo banks; and

(d) whether the rate of interest on savings will be raised if borrowing rates are raised?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The Reserve Bank of India (RBI) has deregulated the interest rates on advances by the banks above Rs. 2 lakh

since October 18,1994. The interest rates are determined by the banks themselves with the approval of their respective Board of directors. For credit limits up to Rs. 2 lakh, banks have been allowed to charge the interest not exceeding the Benchmark Prime Lending Rate (BPLR). In order to enhance transparency in banks' pricing of their loan products, banks have been advised to fix their BPLR after taking into account; (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning/capital charge and profit margin and ensure that the BPLR truly reflects the actual cost. Banks have also been allowed to freely price their loan.products below and above BPLR and offer floating rate products by using market benchmarks in a transparent manner.

The RBI has also given full freedom to Financial Institutions to decide the rate of interest to be charged by them from the borrowers on the loans extended. The movement of lending rates of financial institutions has also been influenced primarily by major factors such as, the cost of funds to the institutions, operating expenses, overall movement in interest rates and a minimum margin to cover regulatory requirement of provisioning/ capital charge and profit margin.

(c) and (d) RBI has also given freedom to Commercial Banks from Octoebr 22,1997 to fix their own interest rates on domestic term deposits of various maturities with the prior approval of their respective Board of Directors. The interest rate on saving deposits, however, continues to be regulated by the RBI and is currently fixed at 3.5 per cent per annum.

The interest rates relating to small savings continue to be administered by the Government of India. The Expert Committee of RBI, to review the System of Administered Interest Rates and Other Related Issues, 2001, noted that the interest rates on small saving schemes in general, had been kept typically above the commercial bank deposit rates of simitar maturity.

Visit of Asian Development Bank

128. SHRI RAVULA CHANDRA SEKAR REDDY: Will the Minister of FINANCE be pelased to state:

(a) whether the Asian Development Bank delegation had visited the country and reviewed and progress of works supported by the bank recently